



Department of State

TELEGRAM

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD

INFO AMCONSUL DACCA

AMEMBASSY NEW DELHI

USMISSION USUN NEW YORK

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EXDIS

FOR AMBASSADOR

SUBJ: DIALOGUE WITH PAKISTAN: NEXT STEPS IN SOUTH ASIA

1. ON YOUR RETURN TO ISLAMABAD, YOU SHOULD SEEK EARLY MEETING WITH BHUTTO FOR REVIEW WHERE THINGS STAND SOUTH ASIA, PARTICULARLY OF COURSE ON HOW BHUTTO SEES OUTLOOK FOR TALKS WITH MUJIB ON ONE HAND AND INDIANS ON OTHER. IN PROCESS YOU WILL WANT TO INFORM BHUTTO OF YOUR CONSULTATIONS HERE AND CURRENT USG ASSESSMENT OF SOUTH ASIAN SITUATION, EXPRESSING OUR APPRECIATION FOR CHANCE BEGIN THIS DIALOGUE DURING AZIZ AHMED'S RECENT VISIT.

2. FOLLOWING FOR YOUR BACKGROUND USE IS SUMMARY HOW WE SEE OUR INTERESTS IN AREA, FOLLOWED BY MORE SPECIFIC TALK-

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ING POINTS FOR YOUR MEETING WITH BHUTTO. SIMILAR TALKING
POINT CABLES ARE BEING SENT DELHI AND DACCA FOR USE IN
WHAT WILL BE CONTINUING PROCESS OF EVOLVING NEW RELATION-
SHIPS WITH ALL THREE MAJOR ENTITIES SOUTH ASIA.

3. PRINCIPAL U.S. INTEREST IN INDO-PAK TALKS IS THAT THEY LEAD TO STABLE INTERNATIONAL ENVIRONMENT IN SOUTH ASIA SUCH THAT DANGER OF WAR BETWEEN SOUTH ASIAN STATES IS DIMINISHED, NO SOUTH ASIAN STATE POSES THREAT TO INTEGRITY OR WELL-BEING OF ITS NEIGHBORS, AND RESTRAINT AMONG EXTERNAL POWERS IS PROMOTED WITH NO ONE POWER EXERCISING HEGEMONY.

4. WE RECOGNIZE THAT PROSPECTS FOR PRODUCTIVE NEGOTIATIONS WILL BE COMPLICATED BY TRADITIONAL HARDLINE PRESSURES IN PAKISTAN FOR CONTINUED CONFRONTATION AGAINST INDIA, AND WHAT WILL PROBABLY BE INDIAN OBJECTIVE OF USING PRESENT SITUATION TO ACHIEVE PERMANENT, PUBLIC AND TOTAL PAKISTANI RECOGNITION OF INDIAN CONTROL OVER KASHMIR. PARTIALLY OFFSETTING THESE FACTORS ARE BHUTTO'S OWN RECOGNITION OF CHANGED REALITIES IN SUBCONTINENT, NEED TO GET PRISONERS HOME, AND IMPORTANCE OF CREATING WHAT BHUTTO HAS DESCRIBED AS A "BORDER OF PEACE" BETWEEN INDIA AND PAKISTAN IN KASHMIR. INDIAN LEADERS MAY ALSO RECOGNIZE NECESSITY OF GRADUAL PROCESS LEADING TO VIABLE SETTLEMENT ALONG CEASE-FIRE LINE, WITHOUT WHICH TENSION AND CONFRONTATION IN SOUTH ASIA WILL BE PERPETUATED, AND PROSPECTS OF GREAT POWER RIVALRY AT INDIAN EXPENSE ENHANCED. NONETHELESS, WE RECOGNIZE DIFFICULTIES OF ACHIEVING ANY EARLY COMPREHENSIVE SETTLEMENT OF KASHMIR AND IT MAY BE NECESSARY SET THIS ISSUE ASIDE WHILE LESSER OBSTACLES TO BILATERAL TIES ARE ADDRESSED.

5. IN THIS SITUATION, WHERE INDIAN AND PAKISTANI VITAL INTERESTS ENGAGED, U.S. INFLUENCE IS LIKELY TO BE LIMITED. IT IS NOT SITUATION IN WHICH WE CAN OR SHOULD PLAY A MEDIATORY ROLE, ALTHOUGH OUR GENERAL POSTURE SHOULD BE TO ENCOURAGE A SETTLEMENT AND THERE MAY BE OPPORTUNITIES TO PROVIDE CONSTRUCTIVE ADVICE.

6. AS YOU KNOW FROM YOUR CONSULTATIONS HERE, WE HAVE DECIDED TO HOLD FOR THE PRESENT TO OUR EMBARGO FOR BOTH INDIA AND PAKISTAN ON MILITARY SUPPLY.

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7. AGAINST BACKGROUND OF THESE GENERAL POLICY CONSIDERATIONS, WE WANT TO CONTINUE PROCESS OF POLITICAL DIALOGUE WITH BHUTTO AND GOP WHICH HAS ALREADY BEGUN IN EARLIER TALKS BETWEEN CHARGE' AND BHUTTO, AND IN WASHINGTON VISIT OF SECRETARY GENERAL AZIZ AHMED LAST MONTH. OUR OVERALL OBJECTIVE IN THIS DIALOGUE WITH PAKISTAN SHOULD BE, IN ADDITION TO ASSURING OUR SUPPORT FOR PAK TERRITORIAL INTEGRITY, TO HELP CREATE AN ATMOSPHERE IN WHICH BHUTTO MAY FEEL ENCOURAGED TO MOVE IN DIRECTION OF BASIC POLITICAL ACCOMMODATION WITH INDIA. WITHIN THIS CONTEXT YOU SHOULD SPEAK ALONG THE FOLLOWING LINES TO PRESIDENT BHUTTO:

CLOSE FRIEND... (AND) ... OUR CONCERN FOR THE WELL-BEING AND SECURITY OF THE PEOPLE OF PAKISTAN DOES NOT END WITH THE END OF A CRISIS."

C. TAKE NOTE OF WHAT PRESIDENT BHUTTO AND DEFENSE SECRETARY GHIASUDDIN HAVE SAID TO DCM ABOUT GOP DESIRE TO REDUCE ITS MILITARY EXPENDITURES SO THAT A GREATER SHARE OF ITS RESOURCES CAN BE CHanneLED TOWARD INTERNAL DEVELOPMENT. WE UNDERSTAND THE NEED FOR A CLIMATE OF PEACE SO THAT THESE REDUCTIONS CAN BE CARRIED OUT.

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D. STRESS THAT FOR OUR PART WE WILL CONTINUE FULL BACKING OF THE UNSC RESOLUTION OF DECEMBER 21. WHILE WE THINK IT INAPPROPRIATE TO INVOLVE OURSELVES DIRECTLY, WE HOPE INDO-PAK TALKS CAN LEAD TO PROGRESS ON WHOLE RANGE OF IMMEDIATE QUESTIONS THAT WILL BEGIN PROCESS OF RESTORING AMICABLE RELATIONSHIP WITH INDIA. AS WE SEE IT, MAJOR ELEMENTS IN THIS PROCESS WILL HAVE TO INCLUDE RETURN OF POW'S, AGREED WITHDRAWAL OF FORCES AND SOME UNDERSTANDING ON HANDLING OF KASHMIR ISSUE THAT WOULD REMOVE THIS ISSUE FROM IMMEDIATE CONTENTION. WE WOULD HOPE THAT DIALOGUE ON KASHMIR MIGHT LEAD TO EVENTUAL SETTLEMENT THAT TAKES INTO ACCOUNT ECONOMIC AND HUMANITARIAN INTERESTS OF KASHMIRIS ON BOTH SIDES OF PRESENT CEASE-FIRE LINE.

E. WITH RESPECT MILITARY SUPPLY, NOTE THAT WE HAD OPPORTUNITY FOR FRANK DISCUSSIONS ON THIS ISSUE WITH AZIZ AHMED DURING HIS RECENT VISIT. AS WE SAID TO HIM, MILITARY SUPPLY QUESTION WILL REMAIN UNDER CLOSE REVIEW. HOWEVER, FOR THE TIME BEING AT LEAST, WE WILL HAVE TO LET OUR EMBARGO ON MILITARY SUPPLY FOR BOTH PAKISTAN AND INDIA STAND WHERE IT IS. YOU SHOULD NOTE, AS SENIOR U.S. OFFICIALS DID WITH AZIZ AHMED, GENERALLY CRITICAL CONGRESSIONAL ATTITUDES ON MILITARY ASSISTANCE PROGRAMS. (FYI: WE HAVE NOTED IN ISLAMABAD'S 2923 THAT BHUTTO HAS TOLD HIS MILITARY ADVISERS HE WOULD NOT EXPECT POSITIVE U.S. RESPONSE UNTIL AT LEAST AFTER U.S. ELECTIONS. END FYI) WITH REGARD TO BHUTTO'S OFFER OF JOINTLY DEVELOPED BASE FACILITIES IN PAKISTAN, WHILE WE APPRECIATE THE

OFFER, AND WILL CONTINUE TO EXAMINE IT, WE DO NOT AT THIS TIME HAVE PLANS FOR UNDERTAKING SUCH PROJECTS. HOWEVER, WE WOULD BE PREPARED, WITHIN CONTEXT ECONOMIC AID, CONSIDER WHAT ASSISTANCE WE MIGHT BE ABLE PROVIDE FOR IMPROVEMENT OF HARBOR FACILITIES SERVING DEVELOPMENT PURPOSES.

F. INDICATE TO BHUTTO, IF YOU THINK APPROPRIATE, THAT WE ARE MAKING CLEAR TO INDIANS THAT WHATEVER DECISIONS WE EVENTUALLY MAKE ON MILITARY SUPPLY WILL BE IN THE CONTEXT OF PROGRESS TOWARDS A SETTLEMENT OF OUTSTANDING SUBCONTINENTAL ISSUES.

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G. CONCLUDE BY EMPHASIZING OUR VIEW THAT WE CAN MOST EFFECTIVELY CONTRIBUTE TO PAKISTAN'S FUTURE GROWTH AND INTEGRITY BY ACTIVE SUPPORT FOR PAKISTAN'S ECONOMIC DEVELOPMENT EFFORT. BY END OF CURRENT FISCAL YEAR, WE ARE PREPARED TO HAVE COMMITTED ABOUT DOLS 150 MILLION IN VARIOUS FORMS OF ECONOMIC ASSISTANCE, INCLUDING DEBT RELIEF, PL-480 AND A DOLS 60-MILLION COMMODITY LOAN. (FYI: DEBT RELIEF AND COMMODITY LOAN CONTRIBUTIONS ARE, OF COURSE, DEPENDENT ON PARALLEL CONSORTIUM ACTION AND PAK SELF-HELP MEASURES. END FYI) IN EXTENDING OUR ECONOMIC ASSISTANCE WE WILL CONTINUE WORK WITHIN GENERAL FRAMEWORK OF CONSORTIUM IN WHAT WE HOPE WILL PERMIT RESUMPTION OF PREVIOUSLY PROMISING DEVELOPMENT EFFORT IN PAKISTAN.

GP-3. JOHNSON

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